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'Try patching that copier with our Scotch tape, sir'

Well, 3M salespeople may not go that far, but cross-selling counts for a lot in the diversified giant's quest for greater productivity. Page 38.

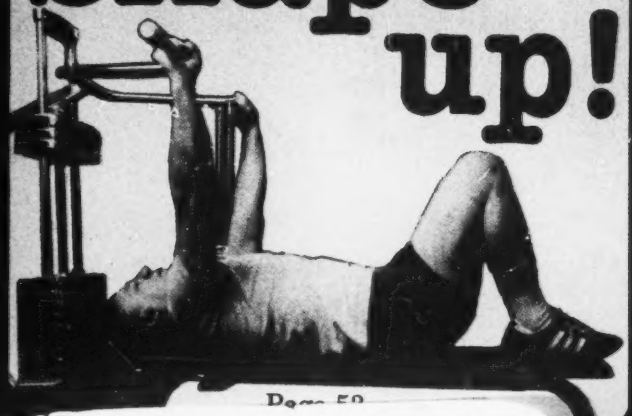
Plan or perish

A new study shows how more companies are using the marketing plan to make the future more manageable—and more profitable. Page 45.

A 32-PAGE S&MM SPECIAL REPORT

Executive fitness

Shape up!



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How small retailers see scanners. They're just beginning to appear at checkout counters, but the impact will be great. Page 22.

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An S&MM Special Section: Cooperative Advertising. One healthy sign for co-op is that it is getting more attention in grocery products and health and beauty aids. Included: An S&MM Executive Roundtable. July 6.

Exxon Office Systems. The big oil marketer blends its office-equipment ventures into one unit. But did it wait too long? July 6.

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Cover photo courtesy of Cardio-Fitness Center, 345 Park Ave., NYC.

by Robertz-Webb, Chicago. It does packaging for Yardley and fragrance and toiletries marketer Jovan, which licenses the Yardley name in the U.S.

BUILDING A SALES FORCE

Sony aims for a direct hit

It's no secret that Sony Corp. of America wants a "major" share of the paperless-office market. To get it, the company is changing the way it sells to that market with the introduction of its Typecorder (a first-of-its-kind, $1,400 portable word processor that stores up to 120 pages of material, has a video screen, records speech like a dictation machine, and also plugs into the telephone for communicating with the home office). For the first time ever, Sony is selling direct in some sales territories where independent dealers previously would have handled the new product; most of the territories are in the Chicago area and New England.

That still leaves most Typecorder sales in the hands of dealers, who number about 330 nationwide. Sony Office Products Div. vice president Bob Mariani confirms that his new direct sales force, now about 12 strong, will grow in numbers until the entire Typecorder effort is "in-house." He adds that when Sony brings out new office products "exploiting our video and data storage technology expertise," they, too, will be assigned to the new sales team. Meanwhile, the dealers are expected to continue selling the company's dictation equipment.

Why take the new sales away from the dealers? For one thing, the company will have greater control over field sales and have salespeople's undivided loyalty. For another, Mariani says, "The Typecorder is complex and requires much more product knowledge than our other less expensive, more conventional office products." The thinking is that Sony can now compete on a more equal footing with such office-products companies as IBM and Xerox that have long used direct sales forces.

Mariani: It takes a direct sales force to sell a complex product.

Who spends what on marketing

Industry	Marketing Spending As % of Sales 1980	1979	% Increase In Marketing Spending 1979–80
MANUFACTURING	**15.6%**	**15.0%**	**16.9%**
Nondurables	**17.0**	**16.5**	**14.4**
Food	7.4	7.4	13.5
Textiles	11.3	9.8	4.1
Paper	19.6	17.3	28.1
Printing & publishing	20.1	20.3	15.4
Chemicals	20.8	20.8	11.7
Durables	**12.9**	**12.1**	**25.1**
Nonelectrical machinery	16.8	16.1	27.7
Electrical & electronics	19.6	20.6	39.6
Transportation equipment	5.4	4.8	11.0
Instruments	14.8	15.3	26.1
Other[1]	**15.9**	**14.7**	**11.6**
SERVICES	**8.6%**	**8.0%**	**23.4%**
Transportation	9.7	9.7	40.0
Information	13.4	12.4	111.4
Miscellaneous[2]	8.5	7.8	21.5

Note: Companies' industry category based upon Standard Industrial Classification (SIC) code assigned to them by Securities & Exchange Commission.
[1]Primary and fabricated metals; stone, clay & glass, and miscellaneous.
[2]Communications, real estate, and educational.
Sources: Company annual reports, prospectuses.
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MARKETING BUDGETS

18% rise in outlays

Increased competition spurred companies to raise the critical marketing-as-percent-of-sales ratio from 14.6% in 1979 to 14.9% in 1980, according to an S&MM analysis of corporate annual reports and prospectuses that contained a separate line item for selling or marketing expenses. The higher ratio resulted from a faster increase in marketing spending, up 18.2%, than in sales, up 15.9%.

The chemicals industry

proved to be the most marketing-oriented one, with marketing soaking up 20.8% of sales revenues. That was the result of such promotion-minded companies as Warner Lambert, which allocated 30.6% of sales to marketing, and Colgate-Palmolive, 19.9%. Close behind was printing and publishing, 20.1%, paced by American Greetings' 28.1% marketing ratio.

The information-services industry, concerned with information storage and retrieval, posted the greatest increases in marketing spending as companies more than doubled their budgets, up 111.1%. The main reason: fledgling companies were intent on building up their sales and marketing staffs in anticipation of greater future revenues.

BUILDING A MARKET

Telephone discounters are calling

With the Federal Communications Commission (FCC) hellbent on promoting competition in long-distance rates, marketers of telephone services are girding for the same kind of discount warfare that racked the airline industry three years ago.

The FCC has for some time allowed private line carriers like MCI Corp. and SP Communications to undercut AT&T with networks linking only high-volume traffic between major cities. Now, entrepreneurs leasing their lines at bulk rates for resale, at lower charges, to business callers are multiplying almost like rabbits.

At press time, 33 fledgling phone discounters had been licensed by the FCC to lease

S&MM FOLLOW-UP

Is this any way to sell swimming-pool covers?

Now that you've ogled all the other ads in this magazine, let me put some sense into your head.
CENTURY
If spa cover makers use cheesecake in their ads, then how come cheesecake makers don't use spa covers in theirs?
CENTURY
Even though I do have a terrific body, you'll come to love me for my mind.
CENTURY
When you've got a great product, you don't need skimpy bikinis to sell it.
CENTURY

Among the responses to S&MM's Mar. 16 story about Ridge Tool's popular promotional calendar (page 8), is one from Lewis W. Cohen, president of Century Products, a Malden, MA, company that claims to make "the best pool covers on the market." Selling in a highly competitive industry which lends itself to scantily clad models relaxing at poolside, Cohen saw the need to make his trade ads stand out from the crowd. His solution is an austere dowager (known around the shop as Grandma Century) coupled with copy that is witty and persuasive. "We think we've found a better way," says Cohen modestly of his approach to the trade.

four-day meeting was accorded to Univ. of Southern California economics professor Arthur Laffer. He predicted that "the 1980s will be the golden age" of the U.S. economy.

SUPERMARKETS

How small retailers see scanning

"Most supermarket buyers buy the items they like, not items that move," Gene Clasen told independent retailers attending last month's National Assn. of Retail Grocers of the U.S. (NARGUS) scanning users' conference in Chicago. But, he noted, using checkout scanners can change that. Representing Howard's Supermarkets, Wichita, he explained that before installing scanners, "the only item-movement information we had came from the warehouse, and that meant nothing to us because we buy 60%–65% of our merchandise direct. Now, before buying any item, we get a report on its movement for the last quarter."

As of March, only 3,493 supermarkets, out of an estimated 131,300, were using scanners. Thus the percentage of "scanning stores" is still very small, although the rate of installations is increasing sharply. Indeed, the majority of those attending the conference were enthusiastic about the benefits of scanning.

Allan Kelly, president

MARKETS AT A GLANCE

Suburbs still the big draw

That nonmetro growth topped metro growth for the first time in memory may highlight a basic shift in lifestyles, but whether the transition is more deepseated than a temporary reaction against urban blight is too early to tell. "While an increasing proportion of the population chooses small communities," observes demographer Kevin F. McCarthy, The Rand Corp., "the fact that small communities are growing fastest in the most urbanized nonmetro areas suggests less a repudiation of urbanization *per se* than an expressed distaste for life in the large cities." However, preliminary data from the 1980 census disclose that the suburbs, the marketer's favorite selling turf, remained the fastest growing geographical unit in the 1970s, up 17.4%, vs. 15.1% for nonmetros and a fractional (0.6%) dip for central cities.

Geographical Unit	*1980 Pop.*	*1970 Pop.*	*Change, 1970–80 %*	*Number*
Metropolitan areas	164,237,547	150,076,799	+ 9.4%	+14,160,748
Central cities	66,365,557	66,740,658	– 0.6	– 375,101
Suburbs	97,871,990	83,336,141	+17.4	+14,535,849
Nonmetro areas	61,241,109	53,225,232	+15.1	+ 8,015,877

Source: Census Bureau.
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How would you approach this prospect?

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of Oakwood Markets, Kingsport, TN, told the conference that his first scanning benefit came at the "back door" when he gained greater control of direct store delivery. "I'm astounded at the number of items vendors brought in that they hadn't talked to anybody about," he says. Now an item must scan, meaning it has been approved by headquarters and its price is therefore filed in the computer, or it doesn't get onto the shelf. Other attendees reported that scanning permits them to achieve greater accuracy and productivity at checkout counters, and more efficient labor scheduling.

But because they are small, few independent retailers are able to use scanning data to make really sophisticated merchandising decisions, such as tracking the effects of promotions. And they agree that for them, using the scanning data for automatic reordering is "light years away."

COMPUTERS IN MARKETING

Easing a salesperson's burden

Chalk up another plus for computer-equipped salespeople: no bulky reports to tote on sales calls.

Since 1975, *Industrial Research & Development* magazine's most effective selling tool has been its annual report on the capital-equipment purchases of its readers. "It is the only information source on market composition for analytical and laboratory instruments as well as brand purchases," says John Kaiser, director of marketing services, Technical Publishing, the Dun & Bradstreet subsidiary (D&B) which publishes IR&D.

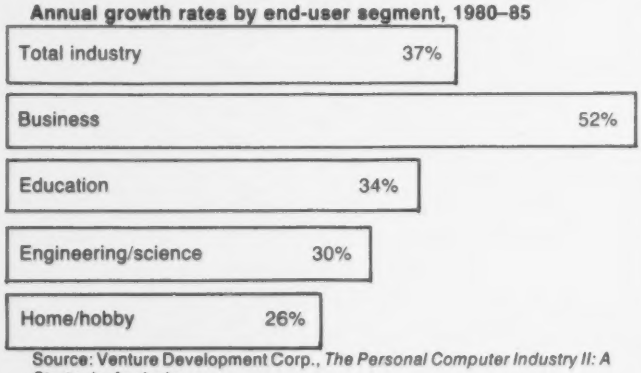
But using the report during a

S&MM SALESGRAPH

Computers: Getting personal

Fueled by technological advances and software improvement, shipments of personal computers (priced under $10,000) will mushroom from 391,600 units in 1980 to 1,908,000 in 1985, says Venture Development Corp. Growth will be lopsided, however, as the business segment will be the only one of four end-user markets to top the industry average. Sparking the business sector growth: greater availability of software that will make the machines easier to use over a wider range of functional areas, says Ray Boggs, a consultant with the Wellesley, MA, firm.

Annual growth rates by end-user segment, 1980–85



Source: Venture Development Corp., *The Personal Computer Industry II: A Strategic Analysis.*
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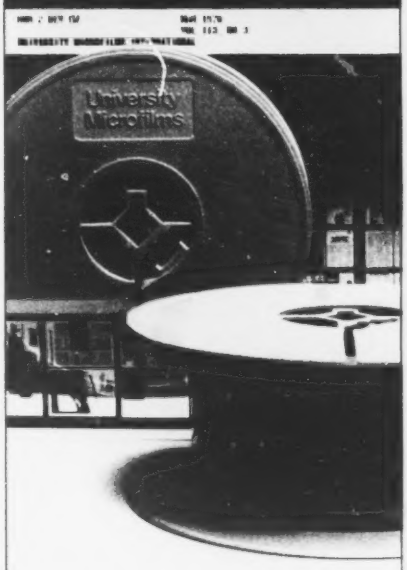

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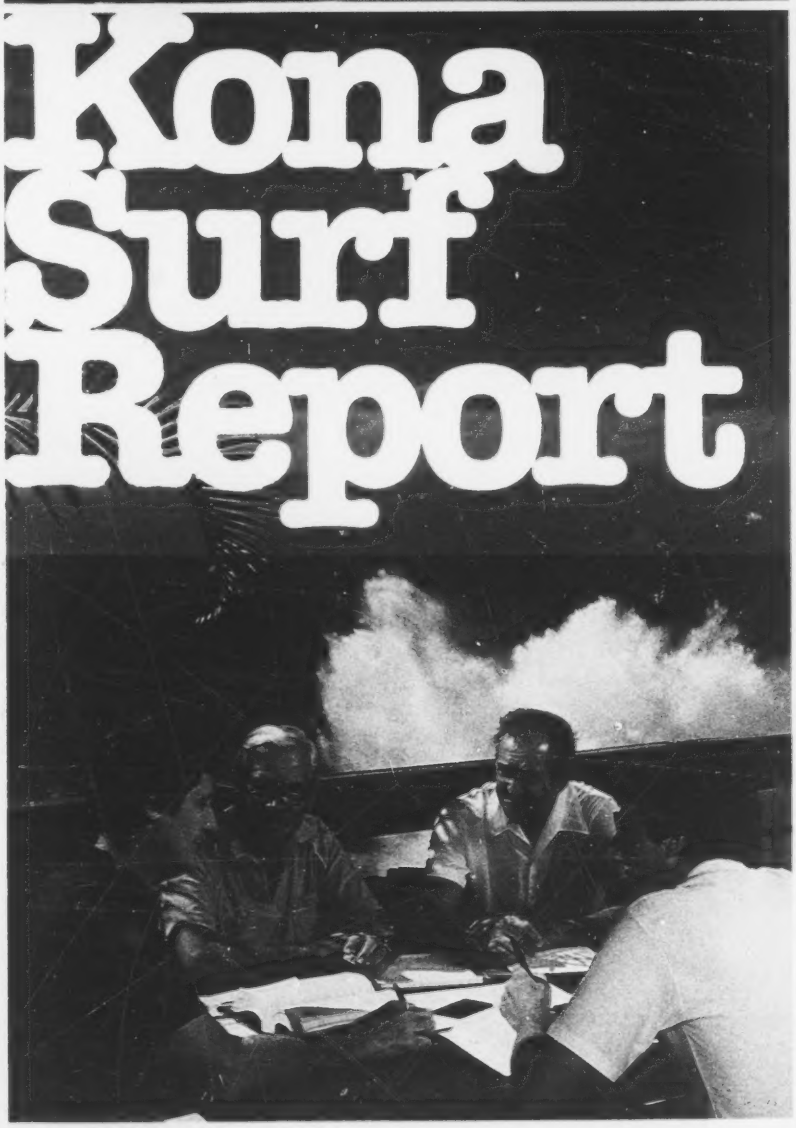

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sales call presented IR&D's nine salespeople with a problem: it is so massively detailed that finding an answer to a buyer's query could sometimes try the patience of salesperson and buyer alike. Also, its sheer weight (it equals in size and heft the federal government's annual budget document) made lugging it along on calls exhausting.

Six months ago, Technical Publishing and National CSS (a D&B computer-services subsidiary acquired recently so that D&B could put many of its data bases on line) developed a computer-based information system to make using the report considerably easier. Each salesperson now has a desk-top, portable terminal (weight: 12 lb., about half the weight of the report), which he uses to call a local phone number, plug into IR&D's data base, and pull out any information the prospect is interested in.

When a prospect wants to know about a specific product activity, the salesperson, in rapid succession, produces printouts that itemize: (1) brand purchases by units, dollars, and market-share; (2) purchases by two-digit Standard Industrial Classification industry; and (3) purchases by geographical area.

The key to the system, Pat Yanahan, Technical's research analyst, explains, lies in the software. "We designed the program," he says, "so that salespeople with no computer experience could get the data they want with plain English instructions." He estimates it takes a salesperson four hours to learn how to operate the terminals (Texas Instruments' Silent 700 series).

"Instead of having to search through several hundred pages to find an answer to a buyer query," Kaiser notes, "the salesperson just keys in a few words and has a printout in seconds. Furthermore, he can manipulate the data if necessary, something he couldn't do with a printed report." The buyer benefits from an instant data source that enables him to pinpoint the identity and loca-

tion of his best markets, spot product trends he can exploit, and analyze brand market-share patterns.

The terminals cost $2,200, but IR&D leases them for $130 a month. "Technology changes so rapidly, we're better protected by leasing instead of buying," Kaiser says.

While the information is developed from a reader survey, Yanahan believes it's representative of the real market because "the distribution of our readers tallies pretty closely with the allocation pattern of the National Science Foundation's R&D grants."

ENERGY

A fired-up market for fuel savings

Some drivers resort to almost anything to get better gasoline mileage. They use fuel detergents or "wonder" additives. Others even use magnets, believing that they help gas mileage because they pull charged particles to one side of the fuel line. Donald MacDonald, sales vice president for North American Combustion Technology Corp. (COMTEC), bets that they'll soon flock to his alternative: Propel, a patented, proven fuel additive that cuts gas mileage 11%–14% by extending the firing time during each piston stroke in a car's engine.

MacDonald is so sure, that he and some associates have formed COMTEC specifically to market the product, which Rolfite Co., the patent holder, limited to industrial use. Says MacDonald, "We're positioning this as the kind of consumer product you'd pick up at the supermarket with toothpaste."

Thus during the test phase, which started last month, MacDonald and his two sales managers, who use independent reps, are concentrating on placing Propel (retail price: around $1) in supermarket and drug chains as well as in such mass merchandisers as K mart. Co-op newspaper ads emphasize EPA-certified tests the product has passed. When Propel goes national this summer, the company will begin a TV network campaign, which will probably be limited in scope unless the product really takes off. As for now, one of the company's major sales boosters: predictions of $2-a-gallon gas by 1982.

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Once relegated to collecting dust, the marketing plan, says the Conference Board, is used increasingly to make the future more manageable—and more profitable.

Plan or perish

Because marketers must anticipate the future, there's hardly one who belittles the importance of marketing planning. But the planning commitment spans a broad spectrum of practices. The term is commonly used to describe everything from formal, detailed documents that tie in marketing with overall company business strategies to a few numbers embellishing the annual sales forecast.

However, as a soon-to-be-released Conference Board report, *The Marketing Plan*, stresses, the trend is toward the formal, written plan that touches on sales, distribution, advertising, and promotion.

Understandably, the focus of marketing plans differs from company to company. Among consumer-products manufacturers, there is most likely a separate marketing plan for each major product. Industrial-products makers and service firms, in contrast, use the marketing plan as part of broader business or strategic plans.

David Hopkins, author of the report, which is based on interviews with 267 companies in the last half of 1980, notes that the most significant finding is "the widespread insistence of general management that marketers' planning labors be truly consistent and coordinated with the formulation of broader-based business and strategic plans within the company."

Consequently, marketing plans take their cue from formal business or strategic planning documents in two-thirds of service concerns and slightly less of consumer and industrial products companies. While the impact of strategic direction on marketing planning can vary from heavy to light, Hopkins observes that the more common situation is "one where there is considerable give-and-take between marketing planners and others in a cooperative environment."

This means there is less chance of bulky plans gathering dust on a shelf. "We do not develop marketing plans that stand alone," says the business research director of a large metals company. "They are an integral part of both the long-range plan and the annual plan."

In many cases, there is a growing interdependence between the marketing plan and the numbers crunched out by the corporate staff. "The marketing plans of our various business units are developed from our five-year strategic plans," says a marketing executive of a sporting-goods producer. "The business unit is required to include in its strategic plan major marketing strategies and action plans devised to achieve the goals and market-share objectives."

When it comes to pinpointing marketing objectives, profit margins are the topmost concern at both consumer- and industrial-products companies, while field sales effort enjoys the same preeminence among services.

Among the elements that go into the marketing plan, market share is a near-universal favorite, ranking first among consumer products and services, second for industrial products. A basic reason for

this popularity is the work done by Strategic Planning Institute (SPI), a Boston research organization with a data base of over 1,700 products and services contributed by its more than 200 member companies. SPI's studies, known under the acronym PIMS (Profit Impact of Market Strategies), show that share-of-market is one of the two most powerful influences on return-on-investment because of advantages that accrue from such factors as greater bargaining power in setting prices and buying supplies.

A joint study by SPI and Cahners Publishing, Boston, focussing on 73 business lines of 25 industrial-product companies, demonstrates "beyond a reasonable doubt that brand awareness and market share are tightly interconnected," says SPI head Sidney Schoeffler. "Knowledge of the connection can help management set goals, and plan against unrealistic, over-ambitious, or over-timid marketing tactics."

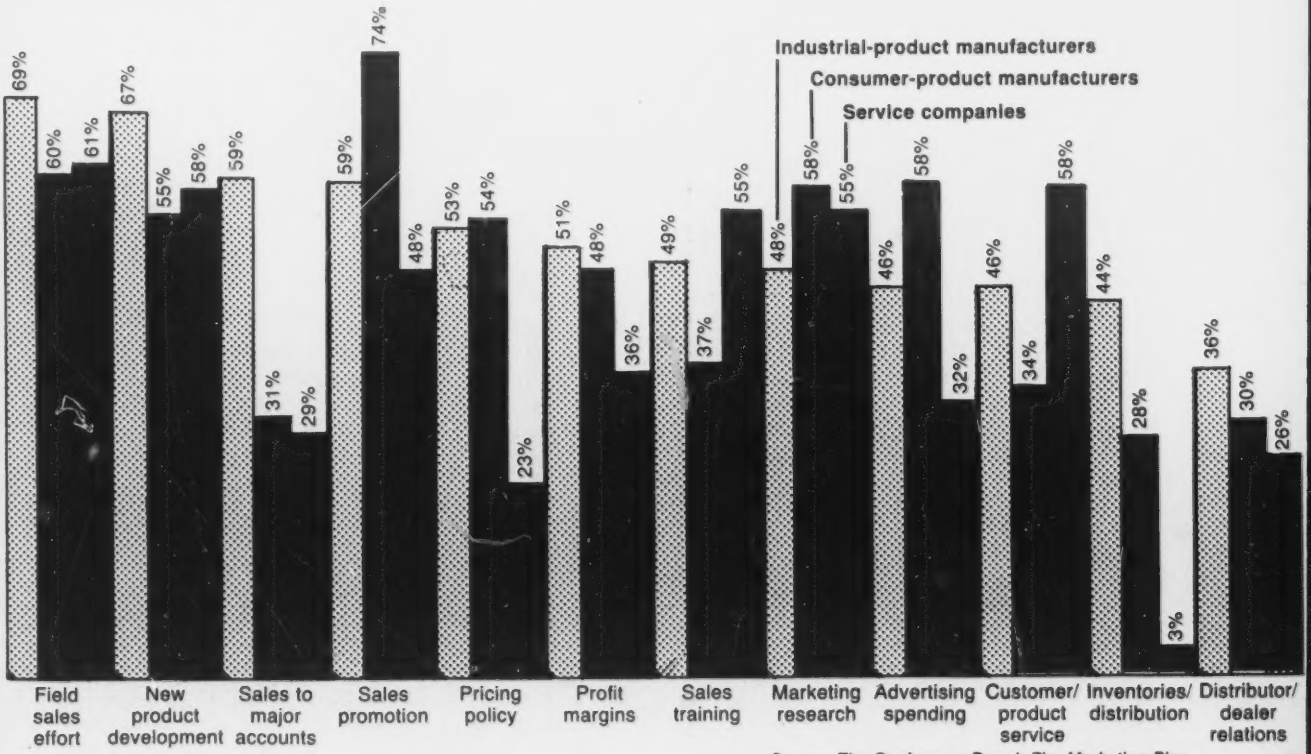
Ironically, while more demands seem to be placed on marketing plans, the Conference Board notes a strong tendency by senior managers to insist on shorter, easier-to-read plans without voluminous detail that "overshadow general strategic considerations." "Marketing planners in a number of companies have been warned," says Hopkins, "that the plan is intended to focus on the main issues and proposals, so as to ensure that it will not be tossed into a file drawer, but, instead, be carefully read, noted, and acted upon."

Be they long or short, there's no doubt about the payoff on the bottom line marketing plans help produce. The marketing vice president of a housewares manufacturer recalls that "Prior to the early 1970s, our annual marketing plan consisted only of a sales forecast by item, a sales promotion schedule, and an advertising and merchandising budget. Each year since then, our marketing plans have become more detailed. The plan is now a living document which we work against, and we believe it results in better marketing and sales performance."

Action programs for implementing marketing plans

The critical role played by the sales force in converting marketing goals into results is underscored by the high ranking given field sales effort in marketing action programs. Shown here are the marketing functions through which strategies will be implemented to reach predetermined objectives. Figures indicate the percentage of companies that include the function in their action programs. Not all functions are shown here.

% of plans with specific statement about each function



Source: The Conference Board, *The Marketing Plan.*
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